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S E C R E T ABUJA 000753

SIPDIS

STATE PASS AF/W, NEA - DAS CROCKER

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SUBJECT: NIGERIA: GON SAYS OPEC UNLIKELY TO CUT PRODUCTION

REF: STATE 101320

Classified by Ambassador Howard F. Jeter for reason 1.5 (b) and (d).

1. (S) On April 22, Ambassador Jeter delivered reftel demarche to President Obasanjo's Special Advisor on Petroleum Affairs and Energy Rilwanu Lukman. Lukman, who is leading Nigeria's delegation to the April 24 OPEC meeting in Vienna and was OPEC General Secretary for ten years, said the normally conservative OPEC would be unlikely to cut production until the situation in Iraq is more clear. Lukman cautioned, however, it would not take much additional oil to oversupply the market, and OPEC wants to maintain a price of \$22 to \$28 dollars.

2. (U) Lukman said Iraq would likely take 9 to 12 months to return production to its pre-Operation Iraqi Freedom quota of 2.5 million barrels/day, and it would be more than two years before Iraq produces oil at its pre-Gulf War level of 3.1 million barrels/day. He told local press on April 23, "If Iraq doesn't come back immediately, as I expect it will not, then we have to continue to supply the market. We don't want the price to go too high." He added, "we have to anticipate when Iraq is likely to come back and prepare accordingly. We will find out what the Americans are doing, how soon they will have a new government in place, and, more importantly, how soon it will take them to rehabilitate their infrastructure."

JETER